

Message Text

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TAGS: EFIN, ECON, JM

SUBJECT: IMF NEGOTIATIONS: PRIME MINISTER SAYS THERE WILL
BE NO CHANGE IN BASIC POLICY OBJECTIVES

1. SUMMARY: THE PRIME MINISTER STRESSED THAT ANY AGREEMENT
WITH THE IMF WILL NOT CHANGE THE DEMOCRATIC SOCIALIST
OBJECTIVES AND POLICIES OF HIS GOVERNMENT. HE EMPHASIZED
THE NEED FOR SACRIFICES AND AUSTERITY, ANNOUNCED NEW TAXES
AND THE END OF SUBSIDIES TO PUBLIC UTILITIES, AND INDICATED
THAT "DEVALUATION WAS A POLICY OPTION TO BE CONSIDERED".
END SUMMARY

2. SPEAKING AT THE LAUNCHING OF LABOUR DAY AT THE LITTLE
LONDON SECONDARY SCHOOL ON APRIL 27, THE PRIME MINISTER
STRESSED THAT ANY AGREEMENT REACHED BETWEEN HIS GOVERNMENT
AND THE IMF WILL NOT CHANGE THE DEMOCRATIC
SOCIALIST OBJECTIVES OF HIS GOVERNMENT, BOTH IN TERMS
OF ITS NATIONAL AND INTERNATIONAL POLICIES. PROGRAMS SUCH
AS LAND REFORM, THE IMPACT (JOB CREATION) PROGRAM,
SOCIAL CONTROL OVER THE ECONOMY AND THE STATE TRADING
CORPORATION WHICH HE DESCRIBED AS "A FUNDAMENTAL INSTRUMENT
OF SOCIALIST POLICY" WERE NON-NEGOTIABLE.

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3. AT THE INTERNATIONAL LEVEL, NON-NEGOTIABLE POLICIES
INCLUDED THE CONTINUING STRUGGLE FOR THE NEW INTERNATIONAL
ECONOMIC ORDER, COMMITMENT TO NON-ALIGNMENT AND THIRD WORLD
SOLIDARITY, FRIENDSHIP AND COLLABORATION WITH CUBA AND
CONTINUING DEVERSIFICATION OF TRADE AND ECONOMIC RELATIONS,
INCLUDING RELATIONS WITH THE SOVIET UNION, NORWAY AND
COUNTRIES OF EASTERN EUROPE.

4. THE AGREEMENT WITH THE IMF WILL BE MADE PUBLIC
IN EVERY DETAIL.

5. OTHER POINTS IN THE SPEECH WHICH RECEIVED LESS
EMPHASIS IN THE PUBLIC MEDIA WERE AS FOLLOWS:

. PRODUCTION WAS THE ONLY ANSWER TO THE CURRENT
ECONOMIC CRISIS.

. THERE HAD TO BE NEW TAXES THIS YEAR AS THE GOVERNMENT
WAS STILL UNABLE TO FINANCE CAPITAL DEVELOPMENT. THE
ONLY OTHER WAY OF GETTING THE REVENUE WOULD BE TO CREATE
MORE UNEMPLOYMENT BY SIGNIFICANTLY CUTTING JOBS IN THE
PUBLIC SECTOR, AND THE GOVERNMENT HAD REJECTED THIS COURSE.

. THE GOVERNMENT COULD NOT AFFORD TO USE TAXES TO SUBSIDIZE
PUBLIC UTILITIES. THESE WOULD HAVE TO BE EFFICIENT AND SELF-
SUPPORTING.

. TO HELP RESOLVE THE DEEP FOREIGN EXCHANGE CRISIS, THE
COUNTRY WOULD HAVE TO INCREASE PRODUCTION AND EXPORTS.
SINCE EXPORTS HAD TO BE COMPETITIVE, DEVALUATION WAS A
POLICY OPTION THAT HAD TO BE CONSIDERED IN SPITE OF ITS
EFFECT ON THE COST OF FOOD IMPORTS.

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6. WHILE THERE HAD TO BE AUSTERITY AT THIS TIME, THE
IMF FELT THAT THERE WAS A NEED FOR GREATER AUSTERITY
"THAN WE FEEL ABSOLUTELY JUSTIFIED". NEVERTHELESS, THE
NATURE OF THE JAMAICAN CRISIS WAS SUCH THAT THE IMF WAS
THE ONLY INSTITUTION TO WHICH THE COUNTRY COULD TURN FOR A
FOREIGN EXCHANGE CASH LOAN.

7. HE EXHORTED PEOPLE TO ELIMINATE CURRUPTION AND DESIST
FROM ILLEGAL CURRENCY TRANSFERS, HORADING FOR SPECULATION
AND PROFITERRING, AND ABUSIVE USE OF GOVERNMENT FUNDS.

8. COMMENTS:

A. IT IS SIGNIFICANT THAT THE PRIME MINISTER FELT IMPELLED
TO DESCRIBE PUBLICLY AT THIS TIME THE MAJOR OBJECTIVES
AND POLICIES THAT HE CONSIDERS NON-NEGOTIABLE. THE IMPRESSION
CREATED IS THAT HE FEELS UNDER PRESSURE TO GIVE UP SOME OF
THE PROGRAM AND POLICIES TO WHICH HE FEELS DEEPLY COMMITTED.

B. AS FINANCE MINISTER BELL AND SENATOR FLETCHER HAVE DONE
BEFORE HIM, THE PRIME MINISTER HAS SET THE STAGE FOR THE
ADDITIONAL SACRIFICES THAT JAMAICANS WILL BE EXPECTED TO

MAKE. PARTICULARLY NOTEWORTHY IS HIS SPECIFIC ANNOUNCEMENT OF NEW TAXES THIS YEAR, THE INTENT TO REMOVE SUBSIDIES TO PUBLIC UTILITIES (FORESHADOWING FURTHER INCREASES IN UTILITY RATES) AND THE FACT THAT HE CAME CLOSE TO ANNOUNCING ANOTHER DEVALUATION.

C. MR. BELL'S PLOY OF PLACING SOME OF THE BLAME FOR THE AUSTERITY MEASURES ON THE IMF WAS REPEATED IN THIS SPEECH. IRVING

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